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Policy directives to the drug programme of the United Nations Office on Drugs and Crime and strengthening the drug programme and the role of the Commission on Narcotic Drugs as its governing body, including administrative, budgetary and strategic management questions

Commission on Crime Prevention and Criminal Justice
Reconvened twenty-sixth session
Vienna, 7 and 8 December 2017
Agenda item 3 (b)
Strategic management, budgetary and administrative questions: directives on policy and budgetary issues for the United Nations crime prevention and criminal justice programme

Consolidated budget for the biennium 2018–2019 for the United Nations Office on Drugs and Crime

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director on the consolidated budget for the biennium 2018–2019 for the United Nations Office on Drugs and Crime (UNODC) (E/CN.7/2017/12-E/CN.15/2017/14). During its consideration of the report, the Advisory Committee met with representatives of UNODC, who provided additional information and clarifications, concluding with written responses received on 2 November 2017.

2. The consolidated budget for the biennium 2018–2019 for UNODC is submitted to the Commission on Narcotic Drugs and the Commission on Crime Prevention and Criminal Justice, pursuant to General Assembly resolutions 46/185 C and 61/252, section XI. As indicated in paragraph 2 of the report of the Executive Director, the proposed budget of the programme of the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund (general-purpose funds) is presented to the Commissions for approval. The report also provides information on the budgets for the special-purpose funds and the related administrative and programme support costs (programme support cost funds), which are presented to the Commissions for endorsement. Regular budget resources, submitted to the General Assembly in sections 16 and 23 of the proposed programme budget for the biennium 2018–2019 (A/72/6) are also reflected in the consolidated budget (E/CN.7/2017/12-E/CN.15/2017/14, paras. 2 and 5).

3. As indicated in the report of the Executive Director, the programme of work of UNODC for the biennium 2018–2019 continues to be organized under nine subprogrammes, each of which falls within the current four-division organizational structure (ibid., para. 70 and annex IV). The report also indicates that over past

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bienniums, UNODC has seen exponential growth in the volume and scope of its technical assistance programme. In the biennium 2018–2019, the growth in programme delivery is anticipated to accelerate even further with the expansion of the operations in Colombia as a result of the launch of a new project on alternative development within the framework of the implementation of the Peace Agreement in the fourth quarter of 2017, with a budget of $315 million over four years.

II. Consolidated resource projections

4. Voluntary contributions to UNODC are budgeted and accounted for separately under the Fund of the United Nations International Drug Control Programme and the United Nations Crime Prevention and Criminal Justice Fund (ibid., para. 2). The financial position of the two funds is set out in annex III to the report. The evolution of income and expenditure for general-purpose funds, special-purpose funds and programme support cost funds from 2012 to 2019 is set out in figures IV to VI of the report.

Resource projections

5. Resource projections for UNODC for the bienniums 2016–2017 and 2018–2019 are provided in table 2 of the report of the Executive Director, a summary of which is set out in table 1 below.

Table 1
Resource projections for 2016–2017 and 2018–2019
(Thousands of United States dollars)

Category	*2016–2017 (revised)*	*2016–2017 (final projections)*	*2018–2019*
General-purpose fund	9 587.2	8 610.1	9 038.5
Special-purpose funds			
Drug programme fund	213 207.7	250 564.9	367 777.4
Crime programme fund	300 097.8	262 075.7	304 661.1
Subtotal	**513 305.5**	**512 640.5**	**672 438.6**
Programme support cost funds	45 041.5	42 216.2	49 880.1
Regular budget	38 705.4	38 705.4	39 556.3
Total	**606 639.6**	**602 172.3**	**770 913.5**

6. The total resource projection for the biennium 2018–2019 is $770,913,500, an increase of $164,273,800 (or 27.1 per cent) compared with the revised projections for 2016–2017. That increase is mostly related to the project in Colombia. The projected resources by source of funds in the biennium 2018–2019 include the following:

(a) General-purpose funds: $9,038,500, a decrease of $548,700, or 5.7 per cent, compared with the current biennium;

(b) Special-purpose funds: $672,438,600, an increase of $159,133,100, or 31 per cent, compared with the current biennium;

(c) Programme support cost funds: $49,880,100, an increase of $7,663,900, or 19.7 per cent, compared with the current biennium;

(d) Regular budget: $39.6 million, an increase of $850,900, or 2.2 per cent, compared with the current biennium.

General-purpose funds

7. The Advisory Committee was informed, upon enquiry, that the resources of the general-purpose funds had declined from $27.5 million in the biennium 2010–2011

to $7.8 million in the biennium 2016–2017, which resulted in shortfalls over the past bienniums, as reflected in the table below.

Table 2
General-purpose funds: income and expenditure, 2010-2019
(Millions of United States dollars)

	2010–2011	*2012–2013*	*2014–2015*	*2016–2017 (projected)*	*2018–2019 (projected)*
Income	27.5	21.5	11.5	7.8	6.8
Expenditures	20.0	21.1	15.3	8.8	6.6
Excess/shortfall	**7.5**	**0.4**	**(3.8)**	**(1.0)**	**0.2**

8. The Advisory Committee was also informed that UNODC has addressed and would continue to address the issue of the decline in general-purpose resources through the following actions: (a) regular updates to Member States on general-purposes funds, including through the intergovernmental working group on improving the governance and financial situation of UNODC; (b) frequent sensitization of donors through the permanent missions in Vienna and visits to Member States; and (c) targeted resource mobilization for functions suitable for extrabudgetary funding.

9. The Executive Director indicates in his report that, despite the above-mentioned efforts, the projected income for the biennium 2018–2019 will not be sufficient to cover the same level of requirements as in 2016–2017. In view of this situation, the Executive Director indicates that UNODC would: (a) fund only limited core functions, some normative work and the New York liaison office for a total of $2.4 million; (b) make available the amount of $2.2 million to UNODC field offices facing programmatic challenges in order to enable their work in the short term; (c) make available the remaining $2 million for overcoming programmatic needs and to be used mainly for further preserving the integrity of the field office network; and (d) gradually transfer to special-purpose funds the resources for the Research and Trend Analysis Branch ($3.8 million) and the Justice Section ($1 million). As a safety measure for this transfer, UNODC plans to use the general-purpose funds reserve of up to $2.4 million (or the equivalent of one-year requirement) to cover cash flow (ibid., para. 24).

10. Upon enquiry, the Advisory Committee was informed that, as a result of the reduction in unearmarked resources, a total of 24 posts would cease to be financed by the general-purpose funds in the biennium 2018–2019, including 7 posts of field office representatives, 14 posts in the Research and Trend Analysis Branch and 3 posts in the Justice Section. In addition, regarding field offices, a lump sum of $2.2 million will be made available for programmatic shortfalls in the biennium 2018–2019. Furthermore, in the same biennium, posts in the Research and Trend Analysis Branch and Justice Section will gradually be transitioned to special-purpose funds.

11. **The Advisory Committee continues to consider it important to achieve an improved balance between special-purpose and general-purpose contributions, not only to secure the financial health of the Office and ensure a sustainable financing model but, equally, as an expression of confidence by Member States and donors as to the policy framework and management of the programmes (E/CN.7/2009/14-E/CN.15/2009/24, para. 19, and E/CN.7/2015/18-E/CN.15/2015/21, para. 21).**

Special-purpose funds

12. The report of the Executive Director indicates that the anticipated increase of 31 per cent in special-purpose funds from the current biennium to the biennium 2018–2019 is mostly related to the drug programme fund, which is projected to increase by $154.6 million (or 72.5 per cent) from $213.2 million in the biennium 2016–2017 to $367.8 million in the biennium 2018–2019. The report also indicates that the increase

reflects mainly the start of the new project on alternative development within the framework of the implementation of the Peace Agreement in Colombia, with a budget of $315 million over four years (E/CN.7/2017/12-E/CN.15/2017/14, para. 7 and table 2). The Advisory Committee was informed, upon enquiry, that the project is aimed at supporting the Government of Colombia in the development, implementation, monitoring and evaluation of the illicit crop reduction policy and strengthening the territories prioritized by the Government of Colombia, within the framework of the implementation of the Peace Agreement, through programmes for rural and alternative development.

Programme support cost funds

13. The report of the Executive Director indicates that, while the income of the programme support cost funds is projected to amount to $54 million in the biennium 2018–2019, representing an increase of $7.6 million (or 16.4 per cent) compared with the final income projections for 2016–2017, the expenditure will be set at $49.9 million in view of the risk of materializing programme deliveries below target and with a view to maintaining the level of the reserve (ibid., para. 21). The report also indicates that the proposed budget reflects the completion of the transition towards the new funding model (ibid., paras. 29–36). The revised funding model, which is based on full direct costing, was introduced in the consolidated budget proposal for the biennium 2014–2015. Regarding the rate for programme support costs, the Advisory Committee was informed, upon enquiry, that in accordance with General Assembly resolution 35/217, UNODC usually applies the standard United Nations rate of 13 per cent to contributions; however, a reduced rate of 7 per cent is applied for projects financed by the European Union (which are governed by the Financial and Administrative Framework Agreement between the European Community and the United Nations) and projects implemented in partnership with other organizations in the United Nations system. The actual average programme support cost rate for UNODC is estimated at 10 per cent.

14. The report of the Executive Director further indicates that the proposed budget for programme support cost funds includes the UNODC share of the enterprise resource planning project (Umoja) based on the cost-sharing arrangement endorsed by the General Assembly in its resolution 63/262, which is anticipated to result in a central charge of $1 million for Umoja services provided by Headquarters (ibid., para. 29 (i)). Upon enquiry, UNODC confirmed to the Advisory Committee that the amount of the provision was calculated not on the basis of anticipated efficiency gains resulting from the implementation of Umoja, but rather on the Secretariat-wide assessment of the UNODC share. The Executive Director indicates in his report that UNODC will continue to be fully committed to the Umoja initiative and that the main deployment efforts in the biennium 2018–2019 will focus on delivery of the Umoja Extension 2 project, which includes the introduction of budget formulation, strategic framework, project and programme management and performance management components by September 2018. The successful delivery of this component is essential for UNODC operations as it introduces end-to-end planning and management of its programmes (ibid., para. 40).

15. **The Advisory Committee continues to encourage UNODC to further develop a system of full cost recovery indicating the direct and indirect costs of its programmes and projects, to monitor its implementation, including through the undertaking of a specific assessment, and to present the outcomes, in both operational and budgetary terms, in the context of the next consolidated budget (see E/CN.7/2015/18-E/CN.15/2015/21, para. 22).**

Regular budget

16. The Advisory Committee recalls that the proposed programme budget for the biennium 2018–2019 contains a proposal to allocate a total amount of $39,556,300 to UNODC, which represents an increase of $850,900 (2.2 per cent in nominal terms, but a reduction of 0.9 per cent in real terms) (see A/72/6 (Sect. 16) and A/72/6

(Sect. 23)). The share of the regular budget in the overall budget resources of UNODC would decline from 6.9 per cent in the biennium 2016–2017 to 5.2 per cent in the biennium 2018–2019.

Staffing projections

17. Staffing projections for UNODC for the bienniums 2016–2017 and 2018–2019 are provided in table 2 of the report of the Executive Director, a summary of which is set out in table 3 below.

Table 3
Staffing projections for 2016–2017 and 2018–2019

Category	*2016–2017 (approved)*	*2018–2019*
General-purpose funds	29	22
Special-purpose funds		
Drug programme fund	113	135
Crime programme fund	238	238
Subtotal	**351**	**373**
Programme support cost funds	140	130
Regular budget	123	125
Total	**643**	**650**

18. As shown in table 3, staffing proposals reflect changes to post requirements, including (a) a reduction of seven field office representative posts financed by general-purpose funds (see para. 10 above); (b) a net increase of 22 posts funded by the drug programme fund; and (c) a net reduction of 10 posts financed by programme support cost funds.

19. **The Advisory Committee notes again the significant proportion of extrabudgetary resources and the related low level of unearmarked resources in the consolidated budget of UNODC and trusts that the Office will continue to make efforts to raise non-earmarked funds for its programmes. The Committee also encourages UNODC to explore opportunities to further broaden its donor base (see E/CN.7/2015/18-E/CN.15/2015/21, para. 18).**

III. Other matters

Counter-terrorism

20. The Advisory Committee was informed, upon enquiry, that UNODC had developed an excellent working relationship with the office of the United Nations Counter-Terrorism Implementation Task Force since its establishment in 2006, and that that relationship continued after the transformation of the Counter-Terrorism Implementation Task Force into the new United Nations Office of Counter-Terrorism (UNOCT). UNODC has participated regularly in all 12 thematic working groups of the Counter-Terrorism Implementation Task Force to ensure the coordination and coherence of United Nations counter-terrorism efforts. UNODC chairs the Working Group on Countering the Financing of Terrorism with UNOCT and the Working Group on Legal and Criminal Justice Responses to Counter Terrorism with the Counter-Terrorism Committee Executive Directorate (CTED). Additionally, UNODC co-chairs with CTED the Working Group on Border Management and Law Enforcement.

21. The Advisory Committee was further informed, upon enquiry, that as mandated by the General Assembly, UNODC is the primary office of the Secretariat for the delivery of legal and capacity-building assistance to Member States on criminal justice aspects of terrorism prevention. UNODC, through its Terrorism Prevention

Branch, maintains a close working relationship with UNOCT. In addition, UNODC shares its electronic newsletter and a calendar of planned technical assistance activities with UNOCT and other relevant United Nations entities. Furthermore, UNODC and UNOCT coordinate participation in appropriate international forums with a view to ensuring a "One United Nations" approach to counter-terrorism. UNODC also contributes to the meetings of the Under-Secretary-General of UNOCT with the United Nations governing bodies and Member States.

Recommendations of the Board of Auditors

22. A summary of the actions taken by UNODC to implement the recommendations of the Board of Auditors is annexed to the report of the Executive Director (E/CN.7/2017/12-E/CN.15/2017/14, annex V). Upon enquiry, the Advisory Committee was provided with updated information on the actions.

23. With regard to the recommendations contained in the report of the Board of Auditors (A/71/5/Add.10), the main updates are as follow:

(a) With regard to the Board's recommendation that UNODC seek to minimize the number and complexity of journal entries and ensure that all journals are accurately described and supported within the system documentation (para. 25), the estimated completion date has moved from October 2017 to the first quarter of 2018;

(b) The Board's recommendation that UNODC consider a strategy to deal with any financial reporting backlog and to identify and address any gaps in reporting functionalities (para. 81) has been implemented.

24. In terms of the recommendations contained in the previous report of the Board of Auditors (A/70/5/Add.10 and A/70/5/Add.10/Corr.1), the Advisory Committee was informed of the following:

(a) The recommendation that management embed the financial disciplines required by the International Public Sector Accounting Standards across its operations (para. 9) has been implemented;

(b) The implementation of the recommendation that UNODC develop fraud risk assessments to identify areas where it is most susceptible to fraud within its operations (para. 18) was still ongoing in October 2017;

(c) With regard to the recommendation that the Office (i) utilize the improved cost data; (ii) complete the roll-out of full cost recovery to projects; and (iii) introduce an assurance/review process (para. 40), the completion date has been postponed from December 2017 to June 2018;

(d) The recommendation that the Office embed an evaluation culture and that individual project managers take responsibility for their project (para. 44) was still ongoing in October 2017;

(e) With regard to the recommendation that management (i) complete the roll-out of the risk management process and collate the information in divisional and field registers into an organizational risk register; (ii) regularly review and update the register; and (iii) consider whether it remains appropriate for the aggregation of the risks of UNODC and the United Nations Office at Vienna in the same register (para. 50), the recommendation has been implemented.

25. **The Advisory Committee welcomes the progress made by UNODC in implementing the recommendations of the Board of Auditors and trusts that all the recommendations will be implemented expeditiously.**